

FATATO AND ASSOCIATES
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INTRODUCTION

Fatato and Associates entered into contract #COUN-06-99219 and COUN-07-99038 with the Michigan Department of Human Services (DHS). Under the counseling contracts, Fatato and Associates were to provide outreach counseling services to the referred client and/or family, or other persons significant to the client for services identified in the referral. Fatato and Associates provides outreach services in the clients' home. This contract covers the period April 1, 2006 through March 31, 2009. Fatato and Associates was reimbursed for units of service provided through submission of monthly billings to DHS.

SCOPE

The Office of Internal Audit performed an audit of Fatato and Associates for the period April 1, 2006 through May 31, 2007. The purpose of our audit was to determine if their billings were accurate; the units billed were allowable per the terms of the contract; and were properly supported by the accounting records and other supporting documentation. We also reviewed case files and other service documentation to determine if Fatato and Associates had all the necessary information on file to document that they provided the required services to eligible clients.

EXECUTIVE SUMMARY

Based on our audit, we concluded that Fatato and Associates had areas of noncompliance with the contract and were overpaid \$3,577 (\$3,285 +292) by DHS. The overbilled amount was due to services being provided without a written Services Authorization Form and the agency records not supporting the amount billed. The agency also did not have the client sign a verification of service form to document that services were provided.

Our report recommends that the Field Operations Administration (FOA) initiate the process to recoup \$3,577 from Fatato and Associates for the disallowed costs.

AGENCY RESPONSE

Fatato and Associates has reviewed all findings and recommendations included in this report. They responded in a letter dated November 5, 2007 that they disagree with finding #1 and #2 and agree with findings #3-5 in this report. The management of Fatato and Associates stated that they received verbal authorization to continue services to clients from the DHS worker who would follow-up with a written authorization. The services were provided as requested, the Statement of Expenditures were approved by DHS supervision and paid. In regards to finding #2, the DHS contract monitors would adjust the units billed on the Statement of Expenditures because of changes in the funding source and pay either more or less than the billed amount with no explanation of the change. Due to the above explanation, Fatato and Associates is requesting that no recoupment be initiated.

FINDINGS AND RECOMMENDATIONS

Overbilled Units of Service

1. Fatato & Associates overbilled DHS for 45 units or \$3,285 for service provided to clients without a written Service Authorization Form. A written authorization is required by the contract for the agency to provide services to eligible clients.

WE RECOMMEND that FOA initiate the process to recoup \$3,285 from Fatato & Associates for overpaid units.

Overpaid Units of Service

2. Fatato and Associates were overpaid by DHS for a net of 4 units or \$292. The overpaid amount was a result of the units being paid for that was not supported by the Monthly Activity Report or other supporting documentation. The contract states the monthly Statement of Expenditures is to accurately represent the units of service delivered.

WE RECOMMEND that FOA initiate recoupment for \$292 for overpaid units.

Verification of Units Delivered

3. Eighteen cases reviewed did not have documentation that supported services were delivered to the client. However, the agency did have an appointment calendar and progress notes that document the date, time and progress of the case for each visit. The “Fiscal Requirements” section of the contract states the contractor shall maintain a record system that documents the total number of units of services as defined in this Agreement and delivered during the term of this agreement. These records shall also document the specific units billed to DHS under this agreement. The contractor is required to submit a “Statement of Expenditures” (form DHS-3469), that accurately represents the units of service delivered.

WE RECOMMEND that FOA instruct Fatato and Associates to use a verification form that documents that the client received services.

Services Provided without Service Authorization Forms

4. Fatato and Associates provided services without having a written referral from DHS. For 7 of the 18 cases reviewed, we found services were provided for a period of time where no written Service Authorization Form was on file at Fatato & Associates.

The contract states that the agency is to provide services only upon receipt of a written referral from DHS.

WE RECOMMEND that FOA instruct Fatato and Associates to provide services only when a written referral is received.

General Liability Insurance

5. Fatato and Associates General Liability Insurance did not include the State of Michigan as an additional insured on the general liability insurance policy as required by the contract. The agency has proof of having a current liability insurance policy but does not list the State of Michigan.

WE RECOMMEND that FOA instruct Fatato and Associates to include the State of Michigan as an additional insured on the general liability insurance policy.